

VZCZCXRO5504
PP RUEHIK RUEHPOD RUEHPW RUEHYG
DE RUEHBUL #3290/01 3631036
ZNR UUUUU ZZH
P 281036Z DEC 08
FM AMEMBASSY KABUL
TO RUEHC/SECSTATE WASHDC PRIORITY 6540
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC 0712
RUCNAFG/AFGHANISTAN COLLECTIVE
RUEHZG/NATO EU COLLECTIVE
RUEKJCS/SECDEF WASHINGTON DC
RUEABND/DEA HQS WASHINGTON DC
RHMFIUU/HQ USCENTCOM MACDILL AFB FL
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC

UNCLAS SECTION 01 OF 02 KABUL 003290

DEPT FOR SCA/FO, SCA/RA, AND SCA/A
DEPT PASS AID/ANE
DEPT PASS USTR FOR DELANEY AND DEANGELLIS
DEPT PASS OPIC FOR ZAHNISER
DEPT PASS TDA FOR STEIN AND GREENIP
USOECF FOR ENERGY ATTACHE
CENTCOM FOR CSTC-A
NSC FOR JWOOD
TREASURY FOR LMC DONALD, ABAUKOL, BDAHL, AND MNUGENT
OSD FOR SHIVERS
COMMERCE FOR DEES, HAMROCK, AND FONOVIKH

SENSITIVE

SIPDIS

REF: (A) December 20th Micaller-Birdsey, et. al Email
(B) KABUL 3277

E.O. 12958 N/A

TAGS: [ETRD](#) [ECON](#) [EAID](#) [EFIN](#) [AF](#)

SUBJECT: AFGHAN FINANCE, FOREIGN MINISTRIES SAY RECC STILL "TBD"

SUMMARY

¶1. (SBU) Deputy Finance Minister Wahidullah Sharani (and now acting Minister of Commerce and Industry) said dates are "still under consideration" for the Regional Economic Cooperation Conference (RECC), and the jury is out on just when Kabul might commit to a specific time or venue. Sharani's response to our non-paper (ref A) on the RECC focused mainly on problems within the Ministry of Commerce and Industry (MOCI), whose Minister, Amin Farhang, is now out of a job after being impeached by the Parliament on December 20. Sharani promised a written response to the demarche within the first week of the new year, but we do not expect a firm commitment to RECC dates in that answer. Meanwhile, Ministry of Foreign Affairs (MFA) Director General Enatullah Nabil suggests that it is security, not bureaucratic wrangling, that is delaying an Islamabad RECC. End Summary.

COMMERCE MINISTRY WOES CONTRIBUTE TO RECC DELAYS

¶2. (SBU) On December 23, Deputy Econ Counselor delivered the non-paper on the RECC to Sharani and stressed USG interest in a firm date for the third RECC. Sharani said that MOCI is responsible for major items that will appear on the agenda (notably, transit trade). Unfortunately, MOCI is in the throes of a major reorganization, with Minister Farhang removed from office by a parliamentary no confidence measure that was one vote shy of unanimous. Sharani said the lack of capacity in MOCI to handle its brief is a major obstacle making progress on important economic issues.

¶3. (SBU) Unprompted, Sharani went into detail about the impeachment proceedings against Farhang and the reasons for his ouster. He noted that the corruption associated with the Commerce Ministry's Fuel and Liquid Gas Enterprise (FLGE) had Parliament outraged, but that no one in the Ministry appeared to have the political will to dismiss the head of FLGE, Engineer Rozi (ref B). We now know that President Karzai tapped Sharani to be acting Minister of Commerce and Industry on December 27, and rumors are the President may introduce him to the Parliament as Minister soon.

¶4. (SBU) Our impression is that the Afghan government may be reluctant to settle on RECC dates until the dust settles once and for all at MOCI. Sharani said Farhang is optimistic about the possibility of being reinstated as Minister, pending an investigation of the constitutionality of Parliament's impeachment proceeding. It is not clear how long that investigation will take, but in response to our mention of an early April RECC in either Islamabad or Lahore, Sharani remained noncommittal.

¶5. (SBU) We also discussed substance of the non-paper with the MFA's DG Nabil, who said that the issue for Kabul is security in Islamabad, and not internal Afghan politics. Nabil, fresh out of a meeting with Pakistan's DCM in Kabul, said he hinted strongly to the Pakistanis that a venue other than Islamabad may be better for the RECC. He stressed, like Sharani (see para 6), the "new chapter" in Afghan-Pakistani relations and a desire not to insult Islamabad. That said, he told Pakistani DCM Durrani that Kazakhstan may be prepared to host a third RECC, and that Pakistan could then host the fourth. He also said that the Ministries of Finance and Foreign Affairs both may sign invitations to the RECC and that Presidents Karzai and Zardari may be present at opening ceremonies. It remains unclear as to which Ministry will ultimately "lead" on the RECC; indications from the Minister's office at Finance are that MFA has the chair, while the MFA's Nabil implies it is Karzai himself.

SUBSTANCE FOR THE RECC, WHENEVER. . .

¶6. (SBU) Sharani did mention several specific items of interest in general possibly ripe for the RECC. Specifically, he noted energy, roads, and customs "diversion."

KABUL 00003290 002 OF 002

- Energy: He noted disappointment with the Uzbek position on a longer term power purchasing agreement (PPA). He said GIROA has paid three quarters of the almost USD 20 million owed to Tashkent for energy infrastructure on the Uzbek side of the border. Sharani said that Afghanistan would like commitments extending past 2010, which appear not to be forthcoming from the Uzbeks. Sharani also expressed concern with the lack of movement on the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline. We promised to provide an update on that issue.

- Roads: Sharani said Afghanistan was pleased with the Indian road project near Zaranj and Pakistan's latest commitment of USD 20 million for infrastructure development. He specifically mentioned Pakistan's Torkham-Jalalabad road project as a model of Afghan-Pakistani cooperation. His take on the Zardari government in general was very positive, and he said the Pakistani president will likely visit Kabul in early January.

- Customs Diversion: Due largely to the success of BMTF-sponsored mentorship at Islam Qala, Sharani said that there are "large engineered leakages" taking place at the border crossing in Nimroz province near Zaranj.

OFFICIAL RESPONSE FORTHCOMING

¶7. (SBU) We look forward to receiving an official GIROA response to our non-paper in early January. At the same time, at least until significant Afghan cabinet positions related to the RECC are firmed up, we do not expect any commitment on dates for this often-postponed meeting. Nabil's comments regarding security in Pakistan as a reason for delaying the RECC add a new twist, although the suggestion for a change of venue may hold some promise for getting the ball rolling.

WOOD